

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7492

BILL NUMBER: HB 1317

NOTE PREPARED: Jan 21, 2013

BILL AMENDED:

SUBJECT: Land banks and tax sale issues.

FIRST AUTHOR: Rep. Clere

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill authorizes a county, consolidated city, or second class city to which the unsafe building law applies to establish a municipal corporation known as a land bank. The bill provides that the purpose of a land bank is to manage and improve the marketability of distressed real property in the territory of the county or city that established the land bank.

The bill provides that the calculation of the amount required to redeem real property sold at a tax sale includes:

- (1) 1.5% per month on the purchaser's investment in the property, if the property is not certified to be vacant or abandoned; or
- (2) 5% per month on the purchaser's investment in the property, if the property is certified to be vacant or abandoned.

This bill provides that when a tax deed is issued to a land bank after a county executive has assigned the county executive's certificate of sale to the land bank, the taxes, special assessments, and costs on the real property are removed from the tax duplicate in the same manner that taxes are removed by certificate of error.

The bill provides that real property to which a county executive has acquired title through the tax sale process may be transferred at no cost to a land bank rather than a redevelopment commission, as is the case under current law.

This bill authorizes a land bank to maintain an action to quiet title to more than one parcel of real property for which the land bank has a claim in a single complaint.

The bill provides that a local governmental entity may not issue a permit, approve a land use, or approve construction concerning a parcel of real property if:

- (1) delinquent property taxes or special assessments on the parcel remain unpaid; or
- (2) unsafe building costs or civil penalties for the parcel remain unpaid.

This bill permits an enforcement authority for the unsafe building law to file a praecipe for a sheriff's sale following a foreclosure action if:

- (1) the creditor does not file a praecipe within 90 days; and
- (2) the enforcement authority has issued an abatement order with respect to the property.

The bill allows an enforcement authority to petition a court to determine that a property is abandoned before a creditor has filed a foreclosure action. It requires the enforcement authority to serve a copy of its petition on the debtor, creditor, and any other appropriate party. The bill provides that, if a court finds that the property is abandoned, the creditor shall file a foreclosure action within 90 days.

This bill also makes conforming amendments.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *State Board of Accounts:* The bill will have minimal fiscal impact on the State Board of Accounts, which would annually audit land banks.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary:* The bill will have indeterminate fiscal impact on local government based on the decision of eligible units to establish land banks and the efficiency with the land banks are operated.

Transfers to Land Banks: Under this bill, the county executive would be permitted to assign tax sale certificates to land banks. If the property is redeemed, the redemption amount would be paid to the land bank. If not redeemed, the land bank would acquire title to the property and all taxes, special assessments, interest, penalties, and the cost of the sale would be removed. These revenues would not be collected by the taxing units that would receive them under current law. However, to the extent that these tax revenues would not have been otherwise collected or that the land bank is effective in returning property to collectable status, overall collected tax revenue could increase for the taxing units.

Sold and Redeemed Properties: Currently, a property that is sold at public auction cannot be sold for less than the sum of the delinquent taxes and special assessments, taxes and special assessments for the year of the sale, all penalties, an amount equal to no more than \$25 or postage or publication costs, and any other actual costs incurred by the county, and any unpaid costs from prior tax sales.

Under current law, a property may not be sold at public auction if a person pays redemption costs prior to the sale. The redemption costs include all the delinquent and current taxes and special assessments, penalties on delinquencies, county incurred costs, and unpaid costs from prior tax sales.

Currently, if the property is redeemed after the sale, the redemption amount is equal to:

- 1) 110% of the minimum bid or 115% of the minimum bid if later than 6 months after the sale ; plus
- 2) The excess purchase price over the minimum bid plus 10% per annum; plus
- 3) All taxes and special assessments paid by the purchaser after the sale plus interest at 10% per annum.

Under this bill, if the property is redeemed, the redemption amount would equal the total purchase price plus all taxes and special assessments paid by the purchaser after the sale plus:

- 1) 1.5% per month if the property *is not* vacant or abandoned; or
- 2) 5% per month if the property *is* vacant or abandoned.

Under this bill, property that is not vacant or abandoned could cost slightly less to redeem if redeemed with the first 10 months after a sale. The cost to redeem nonvacant property after 10 months would increase as would the cost to redeem vacant or abandoned property after 2 months.

Background & Additional Information -

Land Banks: The bill identifies the purpose of a land bank is to manage and improve the marketability of distressed real property. A land bank would be permitted to acquire, lease, improve, repair, renovate, and dispose of property. Land banks would also be permitted to issue debt.

Indy Land Bank: The Indianapolis Metropolitan Development Commission currently operates a land bank. The Indy Land Bank acquires abandoned, tax delinquent and other problem properties, holds and maintains them temporarily, and makes them available to nonprofit or for-profit developers. It also provides a program to help abutting landowners to purchase adjacent property available for public sale. The Indy Land Bank contracts services to mow, clean, and board properties in its inventory. It performs biannual inspections of its properties and receives complaints from citizens. Property purchased from the Indy Land Bank comes with a clean title free of any encumbrances and is insured by a reputable title insurance company.

State Agencies Affected: State Board of Accounts.

Local Agencies Affected: Counties, second class cities; City of Indianapolis.

Information Sources: indylandbank.com.

Fiscal Analyst: Bob Sigalow, 317-232-9859.